

Memorandum

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To: DISTRICT DIRECTORS

Date: June 15, 2005

From: 
ROSS A. CHITTENDEN
Chief
Division of Transportation Programming

Subject: Cost Increase Sharing Policy for Interregional Improvement Program (IIP) Funds

The purpose of this memorandum is to communicate expectations for IIP cost sharing proposals for projects with cost increases due to escalating construction or right-of-way costs, and for 2006 State Transportation Improvement Program (STIP) programming proposals.

Currently, the IIP share advance in the Interregional Transportation Improvement Program (ITIP) is nearly \$200 million dollars. A combination of past aggressive programming efforts, and subsequent inflationary adjustments, account for the large negative balance. The advance is expected to increase as projects are allocated in Fiscal Year (FY) 2005/06 that need additional funding beyond the existing programmed amount. The initial estimate from draft project financial sheets is that districts will propose the IIP cover over \$50 million of these cost increases.

While not a bad thing in itself, the negative effect of a share advance is most acute during the STIP development period. New STIP programming capacity, by California Transportation Commission (CTC) policy, is made available first to regions with un-programmed share balances on the books. Due to the financial constraints over the past few years, we can expect that few regions will leave share balances on the books. With the greatest negative balance (advance) by far of any region in the state, this means the ITIP will be last in line for any new 2006 STIP programming capacity.

Simply put, the ITIP does not have the capacity to meet the funding demands for the number of projects with ITIP funding expectations at the current programmed funding ratios. Many IIP funded projects are also Regional Improvement Program (RIP) funded projects. While the IIP is only 25 percent of the STIP, the RIP/IIP funding split on many joint funded projects greatly exceeds this ratio.

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The Department will honor the project budget established in the approved programming document, but increases beyond the programmed amounts will need to be negotiated.

To manage the ITIP advance, the following is the basic starting point for negotiation of cost increase for a project component:

1. IIP must already be programmed on the component,
2. IIP will fund the lesser of 25 percent of the component or pro-rata share of the total amount programmed on the component.

Similar ratios are expected to be the starting point for proposals for funding new components in the 2006 STIP. This may become difficult on many projects, but the ITIP is already over-committed and the only means to distribute available funding is to meter the commitments on large projects where regional agencies can provide RIP funding. Overriding considerations will be allowed on a case-by-case basis.

Additional information regarding this topic will be discussed at upcoming videoconferences. Additional written guidance related to 2006 STIP development will be distributed as it is produced. Please call Kurt Scherzinger or me if you have any questions. I can be reached at (916) 654-4013 or Calnet (8) 464-4013.

c: Deputy District Directors, Program/Project Management
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